Chapter 3

Procurement of Paddy and Supply of Custom Milled Rice

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FOOD & SUPPLIES DEPARTMENT

3.1 Introduction

For distribution of rice through the Public Distribution System (PDS), the Food & Supplies (F&S) Department arranges to purchase paddy at Minimum Support Price[30] (MSP) directly from farmers through designated agencies *viz.*, West Bengal Essential Commodities Supply Corporation Ltd. (WBECSC), West Bengal State Cooperative Marketing Federation Ltd. (BENFED), West Bengal State Consumer's Co-operative Federation Ltd. (CONFED), *etc*[31]. The designated agencies engage Paddy Procuring Co-operative Societies (Societies) for procuring paddy from farmers at MSP. After procurement, the paddy is converted into rice (referred as Custom Milled Rice – CMR) by empanelled rice mills. From the Kharif Marketing Season (KMS) 2016-17, the Government of West Bengal (GoWB) introduced direct procurement of paddy through F&S Department. Under the new system, the F&S Department procured paddy from the farmers at the notified Centralised Procurement Centres (CPCs) managed by District Controller of Food & Supplies (DCF&S). Paddy was also procured through the designated agencies (also referred as CMR agencies) directly or by engaging Cooperative Societies/ Self Help Groups (SHGs)/ Farmer Producer Organisations (FPOs). The new scheme of Procurement through CPCs and designated Agencies was strengthened by West Bengal Custom Milled Rice (Obligation & Control) Order 2015 and subsequent amendments thereof. This audit was taken up to assess the level of compliance to Government orders/ guidelines issued regarding the process of Procurement of Paddy and Delivery of CMR, availability & utilization of funds and internal control, monitoring & supervision of the entire process.

The procurement operations are managed by the Directorate of District Distribution, Procurement & Supply (DDPS).

3.1.1 Functioning of the Scheme

3.1.1.1 Registration of farmers: At the beginning of each KMS in October, willing farmers have to register their names in the online portal through CPC or CMR agency. From 2020-21, farmers were allowed to use their previous year's registration.

Initially, in 2016-17 KMS, the Purchase Officer or Person-in-charge of the procurement was to register the names of the farmers who turn up to sell their produce through Desktop/ Tab based application software after verification of mandatory documents submitted by them *viz.*, Record-of-Right on cultivable land, Bank Pass Book, Electoral Photo Identity Card, Aadhaar Card and/ or other documents bearing photograph of the farmer accepted as proof of Identity. On completion of registration of farmers, they were provided with a system

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[30] Minimum Support Price means support price of paddy, as fixed by the Government of India, to be paid to farmers while procuring paddy from farmers either by designated agencies or Food Corporation of India for a particular Kharif Marketing Season

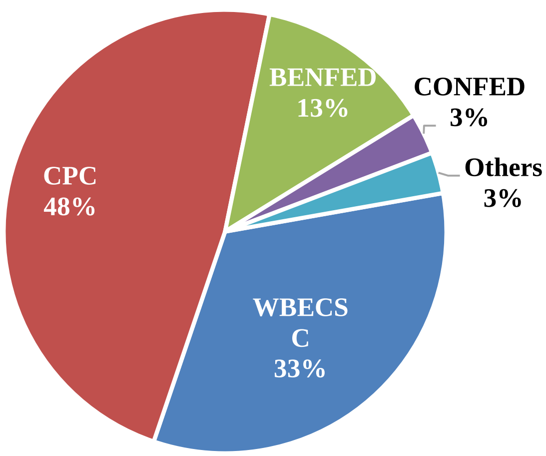
[31] Other agencies include National Agricultural Co-operative Marketing Federation of India (NAFED), National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Ltd. (NACOF), National Co-operative Consumer's Federation of India Ltd. (NCCF) and Paschim Banga Agri Marketing Cooperation Ltd. (PAMCL)

generated Farmer's Registration Certificate bearing a unique number (registration number) in case of CPCs having desktop. In Tab-based CPCs, a pre-printed Registration Certificate was to be filled up on the basis of documents provided by the farmer. It was mandatory on the part of the farmer to bring the Farmers' Registration Certificate with his photo pasted along with a photo identity card at the time of sale of paddy at the Purchase Centre. Further, during KMS 2019-20, farmers registered by the Agriculture Department under '*Krishak Bandhu*' scheme, were required to produce only Voter ID card.

In 2020-21 KMS, the registration of farmers was done mandatorily at any Purchase Centre through online paddy procurement module of F&S Department and farmers who had earlier registered in KMS 2019-20 were allowed to continue with their previous registration.

3.1.1.2 Standard Operating Procedure of procurement: The registered farmers are required to bring their paddy to CPC or camp site on the scheduled date. There, the paddy is weighed up and based on MSP for the respective KMS, the sale proceeds are deposited to farmer's bank account through National Electronic Funds Transfer (NEFT) within three days. The paddy so procured is then dispatched to tagged Rice Mill[32] for milling. After milling, Rice Millers offer to deliver the resultant Custom Milled Rice[33] to concerned DCF&S directly in case of CPC procurement or through CMR agency in case of procurement through Societies/ SHG, *etc*. On receiving the offer, district authority issues the delivery order to the Miller mentioning the name of the godown and Rice Receipt Order (RRO) to the respective godown. After analysing the sample, the Weight Quality and Stock Certificate (WQSC) is issued to the Rice Miller by Quality Control Inspector posted in the Godown. On the basis of WQSC, the concerned Rice Millers submit the claim for incidental charges[34] to DCF&S or CMR agency and receive admissible payments in their respective Bank accounts.

Chart 3.1: Share of procurement of paddy during KMS 2016-17 to 2020-21



3.1.1.3 Agencies involved: During 2016-21, a total quantum of 205.19 LMT (lakh metric tonnes) of paddy (worth ₹ 35,089.04 crore[35]) was procured in West Bengal. **Chart 3.1** depicts the share of different agencies in total procurement of 205.19 lakh MT (LMT) of paddy in the State during KMS 2016-17 to KMS 2020-21.While F&S Department procured directly 48 *per cent* (97.76 LMT) of the total procurement during 2016-21, the balance (107.43 LMT) was procured by other CMR agencies, of which West Bengal Essential Commodities Supply Corporation Ltd. (WBECSC) and West

[32] having bi-partite agreement with Food & Supplies Department and/ or tri-partite agreement in case of CMR agencies
[33] 67 per cent for Raw Rice and 68 per cent for par boiled Rice
[34] Milling charge, Mandi labour charge, transportation charge, etc.
[35] ₹5,843.59 crore in 2016-17, ₹4,985.46 crore during 2017-18, ₹6,864.87 crore during 2018-19, ₹8,868.24 crore during 2019-20 and ₹8,526.88 crore during 2020-21

Bengal State Cooperative Marketing Federation Ltd. (BENFED) were most significant ones with shares of 33 and 13 *per cent* respectively.

3.1.2 Audit objectives, criteria and scope

The Audit aimed to assess the level of compliance to

- Government orders/ operational guidelines issued for decentralised procurement of paddy and delivery of Resultant Custom Milled Rice;
- Availability and utilization of financial resources were in conformity with requirements of the guidelines;
- Orders/ guidelines on internal control, monitoring and supervision on the procurement operations and payment of MSP.

The audit observations were framed with reference to benchmarks provided by the following:

- West Bengal Custom Milled Rice (Obligation & Control) Order 2015 and subsequent amendments thereof;
- Procurement guidelines/ orders of the State Government for each KMS;
- Operational guidelines framed by the Department;
- Agreements entered with the Rice Millers;
- MSPs fixed by GoI from time to time; and
- Instructions issued by the GoI and State Government from time to time.

Audit test-checked records of F&S Department/ Directorate, WBECSC, BENFED and CONFED covering a period of five years from 2016-17 to 2020-21. Apart from the State level offices, audit coverage also encompassed offices of the DCF&S and district level functionaries of the above agencies of six randomly selected districts (*viz*., Howrah, Purba Bardhaman, Birbhum, Nadia, Hooghly and Dakshin Dinajpur) out of 23 districts. Details of audit coverage have been shown in ***Appendix 3.1***.

Apart from scrutiny of records and analysis of data for ascertaining level of compliance to scheme guidelines, the methodology adopted included joint site visit with an aim to assessing the adherence to norms of handling and storage of paddy and CMR.

Audit Findings

3.2 Achievement against target

At the beginning of each KMS, the State Government provisionally fixes the target of procurement of paddy based on requirements. During the year, KMS targets are also revised. It was observed that during 2016-21, total 89 *per cent* of targeted (revised) quantity of paddy was procured **(Table 3.1)**.

Table 3.1: Achievement against target of paddy procurement

KMS	Target (in LMT)	Procurement (in LMT)	Achievement (*percentage*)
2016-17	52	39.60	76
2017-18	35	32	91
2018-19	46	39.64	86
2019-20	52.34	48.58	93
2020-21	46	45.37	99
Total	**231.34**	**205.19**	**89**

Source: Data Provided by the Department; LMT: Lakh Metric Tonnes

The Department of F&S GoWB had procured 205.19 LMT of paddy at an estimated cost of ₹ 35,089.04 crore from farmers at the notified Centralised Procurement Centres (CPCs) managed by DCFS of concerned district and also through the designated CMR agencies during KMS 2016-21. It may be seen from above table that there was upward trend in achievement since 2018-19 *vis-à-vis* targets. Achievements during KMS 2016-17 to 2019-20 fluctuated from 76 *per cent* to 93 *per cent*; however, it reached 99 *per cent* during KMS 2020-21. Though the Department was silent on the reasons for short procurement, BENFED (*West Bengal State Co-operative Marketing Federation Limited*– a CMR Agency) attributed the same to reasons like incapacity of the Co-operative Societies to arrange for huge number of procurement camps in a short period of time, lack of manpower on the part of BENFED to attend camps, non-availability of advance funds (60 *per cent* of MSP was to be advanced by the Department) at the right time coupled with delays in disbursement of loans (for meeting remaining procurement expenses) from the lending institutions. It was also stated that BENFED had difficulty in arranging funds since the average cycle of rotation of funds was one and half years and BENFED had to bear the opportunity cost and the cost of interest. The matter, being perpetual in nature, calls for attention of the F&S Department. The process of funding needs to be re-examined by the Government.

3.3 Irregularities in procurement of paddy

One of the primary objectives of the procurement of paddy was ensuring percolation of Minimum Support Price (MSP) to small and marginal farmers. To maximise the coverage of farmers and to do away with involvement of middlemen, the guidelines for procurement operation envisaged certain built in checks and measures, namely,

- Occasional fixation of a ceiling limit of quantity of paddy that can be sold by a farmer in a KMS.
- In the case of excess quantity being brought by any farmer for sale, production of land holding documents to justify such excess sale.

Test-check of records of six selected districts, however, showed instances of deviations from the norms/ stipulations as discussed in the following paragraphs.

3.3.1 Irregular procurement process of paddy through repeated entries of same farmer

In gross violation of Government orders and procurement guidelines for the KMS 2018-19, in one CPC[36] at Singur Block in Hooghly, there were 59 repeated entries of 10 names who had collectively sold 2,568.13 quintal (qtl) of paddy valuing ₹ 44.94 lakh (@₹ 1,750 per qtl). Enquiry by the Assistant District Controller (Food & Supply), Arambagh, Hooghly revealed that the those 10 persons were owners of two (M/s Shree Krishna Rice Mill and M/s Joyguru Rice Mill Private Limited) Rice Mills of Arambagh, Hooghly and their family members and associates, some of whom belonged to other blocks of Hooghly and even to other districts. The enquiry further revealed that there was 97 more entries of 21 other names (involving total purchase of 3,893.71 qtl paddy) merely shared their Account details and other documents to the millers

[36] *Tapashi Malik Kishan Mandi (CPC)*

and had not actually sold any paddy in the said CPC. The District Level Monitoring Committee (DLMC) constituted (December 2019) a five-member advisory committee to look into the matter. The committee confirmed wilful irregularities made by three[37] Rice Mills in selling of 1,476.33 MT paddy at the said CPC and imposed penalty of ₹ 46,85,817, ₹ 4,02,472 and ₹ 1,45,800 against those owners respectively. Owners of all three Rice Mills had paid the penalty. Merely on the basis of their undertaking, they were also allowed to participate in procurement process of following KMS. Thus, flaw in the system (absence of adequate control against duplicate entry and entry of quantities in excess of stipulated limits against a single name) allowed repeated entries of same person resulted in this irregular procurement of Paddy to tune of 2,568.13 qtl of paddy valuing ₹ 44.94 lakh. Moreover, involvement of the owner of the Rice Mills in irregular sale of paddy deprived the small and marginal farmers from getting the benefit of MSP thereby defeating the purpose of the scheme.

3.3.2 Sale of Paddy by individual farmers beyond stipulated limit

Under the guidelines for procurement of paddy read with subsequent orders/ notifications for 2016-17 to 2020-21, a farmer was allowed to sell paddy only upto a stipulated quantity limit without producing any document regarding ownership/ possession of land. For KMSs 2016-17 and 2017-18, such upper ceiling was subsequently lifted. In 2018-19, the maximum quota for each farmer was initially fixed at 90 qtl; but later reduced to 45 qtl.

Further scrutiny showed that in the case of excess sale by any farmer, the software exhibited "exception[38]" at the time of payment. In those cases, fund was not to be transferred to the farmer's account, unless it was approved by the competent authority; who in turn would approve it only after checking the land details of the concerned farmer.

Audit observed that there were instances of procurement of paddy in excess of the stipulated limit without submitting requisite documents and even instances of multiple registration of farmer using a single savings bank account to bye-pass the stipulation. This had often resulted in delays in release of payments as discussed later in this report (*vide paragraph 3.5.1*).

In two districts[39], 284 farmers fell under exception category due to sale of paddy in more than one centre (CPC/ DPC/ Society) or sold paddy beyond the stipulated limit during KMS-2018-19 without producing any documents. The Competent Authority (*i.e.*, DCF&S, WBECSC) cleared payments to the farmers in 241 cases after enquiry. However, 77 cases of payment were released without production of requisite land records. It was not ascertainable as to how the DCF&S or procurement agencies satisfied themselves about adherence to the Government stipulations.

The system of allowing a person to sale paddy at MSP in excess of prescribed limit (of quantity) without producing any document regarding land holding/ land cultivated would encourage the intermediaries to sell paddy at the cost of small and marginal farmers.

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[37] M/s Shree Krisnha Rice Mill, M/s JoyguruRice Mill Pvt Ltd. and M/s Shyama Ma Rice Mills

[38] In case of (i) multiple registration of farmer using a single savings bank account and (ii) selling more than 90 qtl of paddy in a KMS, the software will show the paddy in "Exception" and the fund will not be entered into the farmer's account, unless it is being approved by the DCF&S. DCF&S will approve only after checking the land details of the concerned farmer.

[39] Purba Bardhaman and Hooghly

3.3.3 Procurement not proportionate to land holdings/ land cultivated

It was observed that the procurement policies in different KMS(s) did not envisage any mandatory check to verify whether the quantity sold by a farmer was in proportion to his/ her land holding/ land cultivated, as long as sale was limited to the quantity fixed by the Department.

During (KMS 2019-20 and 2020-21 the checking of stipulated quantity (45 to 90 qtl per farmer per KMS) was introduced in the online system at entry level to restrict quantity of paddy sold by individual farmers. However, the fact remained that paddy procurement from eligible farmers proportionate to his/ her land holdings/ land cultivated in the respective block area was not made mandatory**.** In notifications, district-wise productivity was annexed and the same was to be considered as the benchmark while procuring paddy, offered by individual farmers in the CPCs. The paddy production in different districts varied from 48.84 qtl to 31.45 qtl per hectare and average was 40.98 qtl/ hectare. This benchmark was, however, neither considered during framing of the guidelines nor at the time of procurement. Variations noticed across the test-checked districts are mentioned in **Table 3.2** below:

Table 3.2: Statement showing disproportionately higher quantity procured from farmers compared to landholdings

Name of Procurement centre (All cases pertaining to KMS 2020-21)	Number of sellers selling disproportionately higher quantum of paddy	Productivity based maximum quantum for their land holding (qtl)	Paddy actually sold in Procurement Centres (qtl)	Percentage of excess sale
Nari CPC (Bardhaman-I block), Purba Bardhaman	68	650	2751.55	323
Ranaghat II CPC and Hanskhali CPC under Nadia district	21	380	941.49	148
In Hooghly district at Adisaptagram CPC	17	200	400.88	100
Singhal Patan SKUS empanelled under BENFED, Hooghly	11	160	471.86	195

Source: Data obtained from CPC

Such multiple instances of sale of paddy by individuals in excess of stipulated limit and in quantities disproportionate to their land holding/ land cultivated were indicative of inadequate control in the procurement process. This indicated sale of paddy produced in larger areas using land documents of a small farmer, representing possibilities of involvement of middle men in the process. The District Manager, BENFED Hooghly stated that there was no general or specific instruction from the F&S Department to link the quantity of paddy procured to the land-holding size of the farmers as long as the sale quantity was within the stipulated ceiling.

3.3.4 Questionable means of transportation of paddy

Scrutiny of records of test-checked CPC/ Societies alongwith corresponding Delivery Challan of paddy showed that out of total 1,70,429.32 quintal of paddy transported during KMS 2020-21, 4,211.89 qtl was shown to have been transported by 19 number of vehicles which were not registered with RTOs for goods carriage as shown below:

- Six vehicles (shown as transporting 1,159.03 qtl of paddy) were registered as three wheeler passenger vehicle;

- Two vehicles (used to transport 1,764.61 qtl of paddy) were registered as ambulances;
- Two vehicles (reportedly transporting 138.39 qtl of paddy) were registered as Bus and Luxury Cab and
- Registration numbers in respect of nine vehicles (transported quantity: 1,149.86 qtl) were not found in the Web portal of Ministry of Road Transport & Highways, Government of India.

Therefore, transportation means of 4,211.89 MT quintal paddy from the procurement centre to the premises of the rice miller appeared to be of fraudulent nature.

In reply, BENFED, Hooghly attributed the same to unintentional errors in entering vehicle numbers into the online portal.

The matter calls for investigation as such instances represented control weaknesses in the form of lack of trail on quantum of paddy on transit.

3.3.5 Non-maintenance of records/ registers at Purchase Centres

Government orders/ guidelines stipulated that the procuring society should maintain purchase register, stock register, gunny bag register, muster rolls and other documents concerning or relating to purchase of paddy on behalf of CMR agencies. These documents are to be properly preserved for verification by officials of CMR agencies and any other Government official at any point of time. Out of total 10 Societies (under WBECSC & BENFED) in the five test-checked Districts:

- In six societies[40], such documents were not properly maintained.
- In two societies[41] in Nadia Districts, copies of the muster rolls in support of Paddy Procurement from the farmers were not preserved by the societies.
- Separate registers for Farmer Registration and stock of paddy were not maintained in six societies in three districts[42]. In the absence of the records of farmer registration it could not be ascertained by Audit whether "First Come First Serve" method was followed for procurement of paddy from farmers.

All these represented laxity in the desired level of monitoring on these societies by the respective CMR agencies/ DCF&S.

3.3.6 Paddy procured without uploading in online portal

Though, the procurement process was to be mandatorily uploaded in the online portal, three societies in Purba Bardhaman empanelled under WBECSC had procured paddy to the tune of 1,831.15 qtl during KMS 2019-20 without

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[40] *(i) Nazirpur Samabay Krishi Unnayan Samiti (SKUS) Ltd., Blolck-Ranaghat-I, Nadia; (ii) Chapra Dhantala SKUS Ltd., Block-Ranaghat-II, Nadia; (iii) Sangra Cooperative Agricultural Credit Society (CACS) Ltd, Block-Sainthia, Birbhum; (iv) Paduma SKUS Ltd., Block-Dubrajpur, Birbhum; (v) Trimohini Krishi Samabay Seva Samity (KSSS) Ltd., Trimohini, Dakshin Dinajpur and (vi) Ramkrishnapur UCACS Ltd., Block-Chopra, Dakshin Dinajpur*

[41] *(i) Nazirpur Samabay Krishi Unnayan Samiti (SKUS) Ltd., Blolck-Ranaghat-I and (ii) Chapra Dhantala SKUS Ltd., Block-Ranaghat-II;*

[42] ***Nadia:** (i)Nazirpur SKUS Ltd., Blolck-Ranaghat-I, (ii) Chapra Dhantala SKUS Ltd., Block-Ranaghat-II; **Birbhum:** (iii) Sangra CACS Ltd, Block-Sainthia, (iv) Paduma SKUS Ltd., Block-Dubrajpur; **Dakshin Dinajpur:** (v) Trimohini KSSS Ltd., Trimohini and (vi) Ramkrishnapur UCACS Ltd., Block-Chopra*

uploading the information in the online portal or reporting the same to the WBECSC.

Table 3.3: Societies procuring paddy without uploading in online portal

Procured by	Sent to	Date of procurement	Quantity (in qtl)
Susunia SKUS Ltd.	Kalimata Agro products	02.03.2020	781.04
BhagraDakshinpara SKUS Ltd.	Virtual Rice Mill	25.02.2020	289.18
Bondutia SKUS Ltd.	Amin Rice Mill	07.02.2020	123.28
		10.02.2020	637.65
Total			**1,831.15**

Source: Data obtained from SKUSs

In reply, the District Manager, WBECSC, Purba Bardhaman stated that the matter was regularised later but no such documental evidence was provided to audit. However, such instances affect the assurance on veracity of procurement data available with the Department.

As the procurement of paddy at SKUS/ CPCs were to be monitored by the representatives of procurement agencies/ officials of DCF&S, such instances represented lack of vigilance at procurement-centre level.

3.3.7 Misappropriation of Paddy

Records of DCF&S, Hooghly showed that in an incidence in KMS 2017-18, the concerned Purchase Officer, Ghoshpara Khanakul-I CPC fraudulently misappropriated 1,923.01 MT of paddy. The said quantity of paddy although was shown in the online portal, as despatched to Rice Mill, but actually the same was not sent to the tagged two Rice Mills. On being pointed out by District Authority {Assistant District Controller (Food & Supplies) Arambagh} in February 2018, the concerned Purchase Officer confessed[43] the wrong doing and later arranged for the delivery of said quantity of paddy to the Rice Millers[44]. Rice Millers had also acknowledged the same. However, in later part of the KMS one (M/s Haragouri Rice Mill) of these two Rice Millers, lodged an FIR stating that he had not received the pending quantity of Paddy and also filed a writ petition before the Hon'ble High Court. The matter remained *sub-judice*. It was revealed from the record that delivery of 520.70 MT of CMR equivalent to 765.74 MT of paddy[45] valuing ₹ 1.19 crore was pending from the concerned Rice Miller as of March 2022. Nothing was on records to show any further investigation by the Department in this matter.

3.4 Quality of paddy procured

As per procurement Guidelines, paddy only conforming to uniform specification as prescribed by the F&S Department was to be procured. As per uniform specification spelt out in guidelines, Paddy shall be in sound merchantable condition, dry, clean, wholesome of good food value, uniform in colour and size of grains and free from moulds, weevils, obnoxious smell *etc.* Under the guidelines, CMR Agencies (DCF&S in case of centres managed by it) were responsible for ensuring that the procured paddy conformed to the specified quality.

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[43] *The Purchase Officer was initially suspended, later dismissed*

[44] *Kapsit Rice Mill (P) Ltd.: 736.98 MT Paddy and M/s Haragouri Rice Mill: 1,186.03 MT Paddy*

[45] *With normative conversion rate of 68 per cent, 765.74 MT of Paddy would be converted into 520.70 MT CMR*

3.4.1 Doubtful quality check at purchase centres

During visit to different CPCs and Societies, neither any quality report of paddy procured during 2016-17 to 2020-21 KMS nor any evidence of quality test was observed. It appeared that department had not adopted any system for documentation of quality analysis report of Paddy brought in by the farmers. In absence of any such report, Audit could not ascertain whether paddy of uniform specification had been procured.

Such lack of documentation assumed significance in view of the fact that the rice mills imposed substantial quantity cut (Dhalta/ Butta)[46] based on moisture content, presence of organic and inorganic matters, *etc.* Justifiability of such quantity cut (which was not provided for in the guidelines) was not assessable in the absence of quality check documents.

Table 3.4: Depriving the farmers by arbitrary quantity cut per quintal of paddy by the rice millers

Sl. No	Name of the CPC	Arbitrary quantity cut in kg per quintal was imposed by the Rice Mills.	Remarks/ Sources
1	Memari-I (block in PurbaBardhaman) 1st CPC, Bagila	Five to eight	As reported by the farmers in their joint petition to the district authority.
2	At Nari (Bardhaman-I block)1st CPC	One to four	Arbitrarily deducted under signature of the representative of the Rice Mill (on Tare slip[47]) without recording any quality test report by the respective P.O. and/ or D.O.
3	ERAL UCACS Ltd, (empanelled for paddy procurement under WBECSC Ltd for the KMS 2020-21)	One to four	It was also mentioned in the respective tare slip.
4	Brahmanpara SKUS Ltd (empanelled under BENFED for procurement of Paddy for the KMS 2020-21)	One to three	No record was available with the society in this regard.
5	Singhal Pathan SKUS Ltd, Singur, (empanelled under BENFED, Hooghly)	5.5 to 6.5	Reason/ basis for such cut was not mentioned
6	Hili CPC in Dakshin Dinajpur District	Five (approx.)	Reported by Purchase Officer

Source: Data obtained from CPC/ SKUs/ UCACS

Such arbitrary deduction is fraught with the possibility of undue loss to the farmers unless transparency in this matter is ensured by installation of quality testing equipment at the procurement centres.

3.4.2 Non-availability of equipment for quality testing of paddy at Purchase Centre

In terms of guidelines related to procurement of paddy issued from time to time, the CMR Agencies shall ensure availability of equipment like Mini Grader, Moisture Meter, Analysis Kit and Weighing Scale at each of the procurement centres. However, during visit (conducted by Audit jointly with DCF&S officials) to 10 number of societies in test-checked districts the following were noticed:

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[46] *Deductions made while procuring paddy from farmers due to presence of moisture, mud, etc.*
[47] *Printed measurement slip generated from Weigh Bridge attached to Procurement Centre*

- Seven of the ten test-checked societies did not possess moisture meter which is one of the important equipment for purchase of Fair Average Quality (FAQ) paddy. In all these centres, it was reported that the respective Rice Miller provided those equipment(s) at the time of procurement of paddy.
- In two cases, equipment (*e.g., parkhi*, siever, sample divider, *etc.*) other than moisture meter were also not found at CPC (both run by the DC&FS).

In their reply, the WBECSC, Purba Bardhaman authority and BENFED, Hooghly authority stated that as per clause of the Tripartite Agreement the Rice Miller should keep the equipment like Mini Grader, Moisture Meter, Analysis Kit and Weighing Scale available at each procurement centre. Thus, the clause of the agreement was not in conformity with the guidelines which had vested this responsibility on the procurement agencies.

3.4.3 Unscientific stacking of Paddy in Rice Mills

Para 10 (3) of West Bengal Custom Milled Rice (Obligation & Control) Order, 2015 made it mandatory that the bags of Custom Milled stock of Paddy should be clearly identifiable and arranged in a countable position. Guideline (KMS 2018-19) further stated that the rice miller must keep gunny bags containing paddy and rice relating to CMR operation separately. He/ she shall be liable to maintain stock account of un-milled paddy and CMR on day-to-day basis with due intimation to the purchase officer of the CMR agencies. The miller shall also be responsible in maintaining proper books and records to facilitate physical verification by CMR agencies or any authorized officer of the GoWB/ GoI. However, during joint inspection of 11 rice mills by Audit alongwith representatives of DCF&S, the following deviations were observed:

- Violation of orders, *ibid*, in stacking of gunny bags containing paddy were noticed in the following six rice mills involving 5,273.49 MT of paddy.

Table 3.5: Perfunctory stacking of gunny bags containing paddy observed during joint inspection

Sl. No.	Name of the Rice Mills	Instances of perfunctory stacking of gunny bags containing paddy	Quantity of paddy involved (qtl)
1	Basundhara Rice Mill, Bejoyram, Purba Bardhaman	Not found arranged in countable position	1,897.78
2	Sri Durgamata Rice Mill (P) Ltd., Kalsi	-do-	1,612.21
3	Annadatri Rice Mill, Nadia	Stored in a heap without any scientific stacking arrangement	3,3192.20
4	Ma Laxmi Modern Rice Mill, Nadia	-do-	11,922.68
5	MatriMandir Rice Mill Pvt. Ltd., Hooghly	Not found arranged in countable position	1,264.90
6	Balagarh Rice Mill Pvt. Ltd., Hooghly	-do-	2,845.09
		TOTAL	**52,734.86**

Source: Joint Inspection of Rice Mills

- Further, in six rice mills, the 'Government procured paddy' and 'own account (Rice Mill) paddy' could not be differentiated as stack card for distinction of ownership of paddy was not maintained at the rice mill.
- Physical verification certificate from Inspector-in-charge of the respective Rice Mill was not found recorded in relevant registers/ files in four Rice Mills visited in Nadia and Hooghly.

Evidently, there were lacunae in inspections conducted by the authorised officers to ensure availability of actual quantity of paddy with the millers.

Pic 3.1 & 3.2: Irregular stacking of paddy at Annadatri RM, Nadia

3.5 Irregularities in payment of MSP to farmers

Under De-centralised Procurement (DCP) operation the State Government through Food and Supplies Department purchased paddy directly from farmers at Minimum Support Price (MSP). The process of payment to farmers has undergone various modifications as under.

Table 3.6: KMS-wise process adopted for payment of MSP

KMS	Process adopted
2016-17 & 2017-18	Directly to their bank accounts through NEFT
2018-19	Payments to farmers must be made within three working days of sale of paddy. It was decided that cheques would be issued to the farmers at the CPC/ camps. It was decided that the cheque distribution would start from 03.01.2019 so that farmer received cheque immediately after selling paddy at the APCs/ Camps.
2019-20	Initially it was decided that the payment to farmer would be made by account payee cheque under the "Dhan Din Cheque Nin"[48] programme on the same day of receipt of paddy. However, due to outbreak of COVID-19 it was declared (29.04.2020) that payment to a farmer would be made through Online/ NEFT/ DBT.
2020-21	Payment to the farmers would be made directly to their individual accounts through NEFT within three working days from the date of purchase.

Source: Guidelines respective KMS

3.5.1 Delay in release of payment of MSP to farmers

During test-check of records, Audit noticed that there was considerable delay in release of payment to farmers by the CMR Agencies. It was observed in audit that out of total 8,84,670 test-checked cases, in 8,60,862 cases (97 *per cent*) payments were delayed as detailed in **Table 3.7** below.

Table 3.7: Delay in release of payment of MSP to farmers

Name of the Procurement agency	Total number of test-checked cases of payment	No. of payment made within due date	Number of payments delayed by			
			Upto 15 days	15 days to 1 month	More than one month upto two months	More than two months
CONFED	4,439	0	3,088 (70)	907 (20)	368 (8)	76 (2)
BENFED	17,032	1,136 (7)	6,108 (36)	3,198 (19)	1,478 (8)	5,112 (30)
WBECSC	8,63,199	22,672 (3)	4,98,361(58)	2,25,648 (26)	1,03,502 (12)	13,016 (1)
Total	**8,84,670**	**23,808 (3)**	**5,07,557 (57)**	**2,29,753 (26)**	**1,05,348 (12)**	**18,204 (2)**

Source: Information furnished by CMR agencies
Figures in the brackets represent percentage with respect to total cases under test-checked districts.

[48] *Means instant payment through cheque to farmers on delivery of paddy (by farmers to CPC/ CMR agencies)*

Thus, in 40 *per cent* and 14 *per cent* of the cases, payments were delayed by more than 15 days and more than one month respectively. Such delays were especially glaring under WBECSC and BENFED.

It was also observed that the quantum of delays showed a downward trend[49]. Such delays were attributable to delay in processing of records by the CMR agencies. Moreover, it was observed that period of delay increased in the later part of the KMS(s) which was stated to be due to shortage of funds in the hand of the CMR agencies. Reply of the Department is awaited (February 2022).

Such delays in payment of MSP to the farmers compromised the scheme objective of expeditious payment to farmers and may lead to financial hardship**.**

3.6 Irregularities in handling & milling of paddy and delivery of CMR

Before commencement of each KMS, empanelled Rice Millers signed a Bi-partite or Tri-partite agreement with the DCF&S and/ or CMR Agencies and deposited Performance Guarantee. The paddy procured through CPCs or camps was custom milled by the selected rice millers as per contractual agreement with the CMR agency and Directorate of DDP&S under F&S Department on behalf of Government of West Bengal and resultant rice (CMR) was delivered (by the Rice Miller) to F&S Department with 68 *per cent* out-turn ratio[50] in case of par boiled rice[51] and with 67 *per cent* in case of raw rice.

3.6.1 Improper Performance Guarantee

During 2016-17 to 2020-21 undated/ post-dated cheques were accepted as security. As per guidelines (2019-20 onwards), the amount of performance guarantee/ security deposit should depend on the paddy holding limit of the Rice Miller. In 2020-21 KMS (order dated November 2020), different slabs were fixed for compulsory submission of Post-Dated Cheque (PDC)/ Bank Guarantee (BG) by the empaneled Rice Millers for receiving different quantities of paddy.

However, it was observed that during 2016-20, there were 30 instances where concerned Rice Millers had failed to deliver requisite CMR and Department/ CMR agencies could not recover any cost against non-delivery of CMR as the undated cheque taken as security deposit were dishonored at the time of encashment by the respective banks. The matter has been further discussed later in the report *vide paragraph 3.6.2*.

Thus, there is ample scope for tightening up of the management of security deposits from the CMR agencies to ensure desired level of deterrence against under performances by millers.

3.6.2 Non-delivery of CMR worth ₹99.17 crore

Records of F&S Department showed that at the end of each KMS, some Rice Millers failed to deliver the CMR to Department. A synopsis of number of defaulter Rice Millers is given in **Table 3.8**.

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[49] *Maximum period of delays decreased steadily from 155 days in 2016-17 to 29 days in 2020-21*

[50] *Quantum of rice receivable from milling of 100 units of paddy; 68 per cent out turn ratio signifies receiving of 68 qtl of rice from milling of 100 qtl of paddy*

[51] *Partially boiled in the husk. Three Basic steps of Par-boiling are soaking, streaming and drying.*

Table 3.8: Non-delivery of CMR

Sl. No.	KMS Year	Number of Defaulter Rice Mill	Quantity of par boiled Rice due (in MT)	Quantity of Raw Rice due (in MT)	Proportionate Quantity of Paddy (in MT) for par boiled rice	Proportionate Quantity of Paddy (in MT) for raw rice	Total Quantity of Paddy (in MT)	Value (₹ in crore) (considering MSP* only)
1	2016-17	08	8,972.50	160.61	13,194.86	239.71	13,434.57	19.75
2	2017-18	15	21,601.00	4,459.00	31,766.18	6,655.22	38,421.40	59.55
3	2018-19	06	6,569.52	0	9,661.06	0	9,661.06	16.91
4	2019-20	01	1,108.26	0	1,629.79	0	1,629.79	2.96
	Total	**30**	**38,251.28**	**4,619.61**	**56,251.89**	**6,894.93**	**63,146.82**	**99.17**
***MSP per MT : 2016-17:₹14,700; 2017-18:₹15,500; 2018-19:₹17,500; 2019-20:₹18,150**								

Source: Information supplied by the Department

Thus, the Department failed to recover 42,870.89 MT of CMR against 63,146.822 MT of paddy (worth ₹ 99.17 crore at MSP**)** during KMS 2016-17 to 2019-20 from 30 millers of 10 districts[52]. As per Government Order and agreements, penalty should have been imposed at the rate of acquisition cost of paddy (MSP + Market Fee + Transportation Charge) along with interest of 10.50 *per cent* per annum.

Though FIR was lodged in all 30 cases, the Department/ CMR agencies were unable to recover any cost against non-delivery of CMR as the undated cheques taken as security deposit were dishonored at the time of encashment by the respective banks. Since, the CMR worth ₹ 99.17 crore remained undelivered for one to four years and no part of the cost could be recovered owing to dishonour of security deposit cheques, this amounted to loss to the Government exchequer. Further, it transpired from record that out of those 29 cases (KMS 2016-17 to KMS 2018-19), police investigation against FIR lodged had been completed and charge sheet submitted in 17 cases and in rest of the cases (seven for 2017-18 KMS and five for the 2018-19 KMS) investigation had not been completed (September 2021).

3.7 Deficiencies in storage of CMR

3.7.1 Non-utilisation of godowns constructed for procurement operations

For the purpose of creating storage spaces for paddy so that the local farmers do not resort to distress sale during peak harvesting season for lack of space, F&S Department, GoWB undertook capacity building by way of construction of Paddy Storage Godowns (PSG) under Rural Infrastructure Development Fund (RIDF) since 2012-13. The Department implemented these works with loan assistance from the Warehousing Infrastructure Fund (WIF) under National Bank for Agriculture and Rural Development (NABARD) Warehousing Schemes and work was entrusted to Public Works Department (PWD).

During test-check (July-September 2021) of records of five districts (Purba Bardhaman, Birbhum, Hooghly, Nadia and Dakshin Dinajpur) it was observed that out of 25 PSGs (administrative approval accorded in December 2015):

- Eleven remained incomplete as of September 2021.

[52] *Paschim Medinipur, Purba Medinipur, Dakshin Dinajpur, Uttar Dinajpur, North 24 Parganas, Hooghly, Bankura, Purba Bardhaman, Jhargram and Jalpaiguri*

- Only 14 godowns (seven godowns in Purba Bardhaman, three each in Hooghly and Nadia and one in Dakshin Dinajpur district) were handed over by PWD to respective DCF&S till September 2021.
- Of these 14 godowns ***(Appendix 3.2)***, only two at Ranaghat-II were used for storage of CMR, while the remaining 12 were either non-functional for nearly two to three years since their handing over or utilised for purpose other than storage of Paddy/ Rice.

Such low utilisation of the godowns may be viewed with the following further facts:

- As per Guidelines for procurement of Paddy and supply of Custom Milled Rice for KMS 2016-17 to 2020-21, paddy procured at a CPC/ purchase centre on a scheduled date of procurement should be delivered to the tagged Rice Miller who will turn up at the CPC on the same day for lifting of paddy without any failure. This arrangement did not require any storage facilities at CPC level. Thus, the prospect of utilisation of these godowns was questionable.

Therefore, prospect of utilisation of these 14 godowns (constructed at an expenditure of ₹ 18.09 crore**)** is remote.

3.7.2 Deficiencies in Quality Control of CMR

As per uniform specification for Grade 'A' & 'Common' Rice, rice shall be in sound merchantable condition, sweet, dry, clean, wholesome of good food value, uniform in colour and size of grains and free from molds, weevils, obnoxious smell, admixture of unwholesome poisonous substances[53] in any form, or colouring agent and all impurities except to the extent as mentioned in the Schedule of Specification. In terms of the schedule of specification the maximum limit of 'De-husked Grains' (Rice kernels whole or broken which have more than one fourth of the surface area of the kernel covered with bran) is 13 *per cent* along with other admissible refractions.

3.7.2.1 Incomplete analysis of CMR samples*:* In course of joint visit to 11 godowns (where CMR were stored after procurement from Mills) by Audit in selected districts, it was observed that there was no set up for performing chemical analysis of CMR samples in any of the Godowns which was a must for finding out percentage of De-husked Grains in a CMR sample. This led to arbitrary fixation of De-husked Grains contents at different test-checked godowns as observed from available test reports.

- It was noticed that in all analytical reports 'De-husked grain' was shown as 0.0 in Nari RIDF (East Bardhaman), SWC Ranaghat Godown, RIDF Hanskhali Godown (both in Nadia) whereas at Memari RIDF Godown (Purba Bardhaman) the same was arbitrarily shown between 7.2 and 7.6 without conducting any chemical analysis at all.
- There was no mention of percentage of "De-husked Grains" in analytical reports in any of the Godowns visited in Hooghly District (*e.g.*, Dhaniakhali RIDF Godown and RIDF Balagarh Godown).

Thus, due to lack of infrastructure, the procuring agencies/ DCF&S had to accept CMR from millers with incomplete analysis of the CMR samples.

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[53] *Argemone mexicana and Lathyrus sativeus (Khesari)*

Thus, there is substantial scope for improvement in the quality of storing of CMR both at the millers' end and DCF&S's end. Instances of unscientific stacking of CMR coupled with lack of desired level of quality check on procured CMR call for immediate attention of the Government. All these deficiencies in handling and storage of paddy/ CMR were facilitated by weak internal control exercise by the Department as discussed in the following paragraphs.

3.8 Deficiencies in internal control

3.8.1 Insufficient number of inspections

As per Government order, Quality Control trained Inspectorate staff shall be posted at procurement godowns and shall be responsible for proper quality checking of the CMR before accepting delivery of the same. They shall be responsible for acceptance of CMR which conform to uniform specification of Government of India.

In terms of F&S department order (March 2018), the Sub Divisional Controller (F&S) should pay a visit to all the godowns within their jurisdictions at least once in three days and record their findings of quantity and quality, observations regarding FIFO, required fumigation, *etc.*, in the Inspection Register to be maintained in each godown with effect from March 2018. DCF&S should visit all such godowns at least once a week and record their inspection notes in the Register. Further, F&S department stipulated (June 2019) that all District Controllers, F&S Deptt, must ensure mandatory Physical Verification of quality and quantity of stock in each godown once in every six months. Against the normative requirement, the following were observed:

- In SWC Ranaghat Godown and RIDF Hanskhali Godown (both in Nadia district) no such remarks/ noting was found in the inspection registers.
- In SWC Ranaghat Godown, mandatory half yearly physical verification report was also not found.
- In five other visited Godowns, it was noticed that observations of the departmental inspecting authorities were found noted in the concerned registers of the Godown in a few occasions during last three/ four KMS, as mentioned in **Table 3.9** below:

Table 3.9: Visit of godowns by the Inspecting authorities

Sl. No.	Name of the Godown	Number of visit stipulated		Actual Number of visits since 2017-18	Date of visit
		By SCFS officials	By DCFS Officials		
1	Dhaniakhali RIDF, Hooghly	at least once in three days, *i.e.*, twice a week or 104 times in a year	at least once a week or 52 times in a year	3	All visits in April 2018, *i.e.*, in KMS 2017-18 only.
2	RIDF Balagarh, Hooghly			9	KMS 2017-18: three; KMS 2018-19: two; KMS 2019-20: four
3	Mollarpur GFD, Birbhum			7	KMS 2017-18: three; KMS 2018-19: two; KMS 2019-20:one; KMS 2020-21: one
4	Balurghat RIDF, Dakshin Dinajpur			5	KMS 2017-18:two, KMS 2018-19: two; KMS 2020-21: one
5	Tapan RIDF, Dakhin Dinajpur			7	KMS 2018-19: four; KMS 2019-20: one; KMS 2020-21: two

Source: Inspection register kept in the Godowns

Evidently, district authorities were not visiting the godowns regularly in contrary to existing Government order.

3.8.2 Irregularities in Monitoring

In terms of para 11(4) of the West Bengal Custom Milled Rice (Obligation & Control) Order 2015, a District Level Monitoring Committee (DLMC) shall be constituted for the purpose of discharging the functions and duties to procure Fair Average Quantity (FAQ) paddy and the decision of DLMC in this regard shall be binding on the Custom Mill Rice agencies. The DLMC shall meet at least once in a month to review the procurement operations in the district and suggest appropriate measures.

Scrutiny of records in five districts revealed that there was shortfall in meeting of the DLMC ranging between 63 to 82 *per cent* ***(Appendix 3.3)*** every year during the KMS 2016-17 to 2020-21.

3.9 Inordinate delay in preparation of PDS account leading to non-accrual of GoI subsidy

On the basis of Memorandum of Understanding (MoU) signed between the GoI and GoWB for procurement and distribution of rice under TPDS (Targeted Public Distribution System) in the state under the Decentralized Procurement Scheme of procurement of food grains and pending submission of its final and audited accounts of the relevant year by the agencies (*e.g.*, WBECSC, BENFED, CONFED, *etc.*) of the State Government, the GoI had agreed to release provisional subsidy to the states allowing 100 *per cent* of fixed cost and 95 *per cent* of the variable costs[54] of economic cost. Balance five *per cent* of variable cost would be released after finalization of the economic cost on the basis of the audited accounts. During audit it was observed that Director of Finance had prepared proforma accounts of PDS only up to 2014-15. Thus, due to this delay in preparation and finalization of accounts, State Government could not submit the claim for balance five *per cent* of variable cost for years together. Further, details of provisional subsidy claimed (full quantum of fixed cost and 95 *per cent* of variable cost) by the State Government and subsidy received there-against during KMS 2016-17 to 2020-21 are shown in **Table 3.10** below:

Table 3.10: Non-receipt of GoI Subsidy

KMS	Total Subsidy claimed from GoI (₹ in crore)	Subsidy received from GoI (₹ in crore)	Difference (₹ in crore)
2016-17	2,741.83	2,363.22	378.61
2017-18	3,386.16	3,279.69	106.47
2018-19	4,097.28	3,508.73	588.55
2019-20	4,385.26	4,385.25	0.01
2020-21	4,459.09	3,195.12	1,263.97
Total	**19,069.62**	**16,732.01**	**2,337.61**

Source: Information furnished by the Directorate of Finance, F&S Department

Thus, the State Government not only failed to get five *per cent* of the variable cost from GOI due to non-finalisation of PDS accounts for years together, but also did not receive remaining subsidy (provisional) claim to the tune of ₹ 2,337.60 crore (out of total claim of ₹ 19,069.62 crore) during 2016-17 to

[54] *Economic cost of CMR= Acquisition cost + Distribution Cost;*
Fixed Cost = MSP + Taxes + Driage + Milling Charges;
Variable Cost = Economic cost-Fixed cost after OTR (Out turn ratio); and
Net Variable Cost= Variable cost – Storage & Transit Loss

2020-21 due to reasons like non-updation of State data in the Annavitaran Portal[55].

3.10 Conclusions and Recommendations

Conclusions:

The compliance audit on procurement of paddy and supply of Custom Milled Rice covering Kharif Marketing Seasons from 2016-17 to 2020-21 has reflected various instances of non-compliance to Government Guidelines, which were largely facilitated by management and operational deficiencies on the part of District level functionaries of the F&S Department as well as procurement agencies.

There were instances of procurement of paddy from individual farmers beyond stipulated limit without obtaining necessary documents, procurement of disproportionately high quantities of paddy as compared to land holding of the sellers, *etc.* These represented possibilities of involvement of middlemen in the procurement process.

Deficient maintenance of records in paddy procurement centres indicated absence of desired level of monitoring by inspecting staff. Instances of misappropriation of paddy, procurement of paddy by-passing the online portal indicated that there is further scope for strengthening of the inspection and monitoring.

The unscientific stacking of paddy resulted in the principle of 'First In First Out' (FIFO) not being followed. This along with non-availability of quality testing equipment leads to a high probability of quality check not taking place at the purchase centres. Also, arbitrary quantity cut (Dhalta/ Butta) by millers may subject the farmers to loss in sale proceeds.

There were delays in percolation of the financial benefits of the procurement operation to the small farmers, as payments were often not made within the stipulated period.

In spite of having enabling clause in the agreements, the district authorities failed to recover any rice/ cost of paddy from defaulting rice millers, which was largely attributable to lacunae in management of performance guarantee. This diluted the deterrence mechanism in the process against under performance or default by rice mills. This calls for careful review by the Department in respect of effectiveness of the practice of accepting post-dated/ undated cheques as security (which involves higher risks of being dis-honoured as compared to demand draft or maintenance of Escrow Account).

All these deficiencies in handling and storage of paddy/ CMR were facilitated by weak internal control exercised by the Department.

The aspect for regular inspection of godowns both at the millers' end and post-procurement storage remained neglected. Substantial shortfall in holding of meetings of DLMC was also an area calling for attention.

[55] *Annavitran Portal has been implemented by the Ministry of Consumer Affairs, Food & Public Distribution to display electronic transactions made through ePoS devices for distribution of subsidised foodgrains to beneficiaries.*

Recommendtations:

- ***There is an urgent need to frame an appropriate mechanism to ensure that the procurement process duly adheres to the established norms.***
- ***The Department should ensure adequate controls in the procurement process to prevent multiple instances of sale of paddy disproportionate to the land holding/ land cultivated.***
- ***The monitoring mechanism may be strengthened on maintenance of records, uploading of data in online portal and quality of storage of paddy/ CMR by fixing accountability of Inspecting staff. Availability of quality testing equipment at procurement centres should also be ensured.***
- ***The aspect of management of performance guarantee from Millers should be strengthened with priority; the practice of accepting post dated/ undated cheques as security should be reviewed.***

The matter has been referred to the Government in January 2022; reply was awaited (April 2022).